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Uzbekistan - Republic of

Cotton and Products Annual

Uzbekistan Cotton and Products Annual Report

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Report Highlights:

Uzbekistan is a major producer of cotton. The government continues to lower the targeted cotton planting area and production of seed cotton to increase vegetable and fruit production in the areas where seed cotton yields are low. Domestic cotton consumption is increasing each year with new investments, which in turn are reducing cotton availability for exports. Accordingly, MY 2018/19 cotton planted area is expected to be about 1.17 million hectares and production about 3.8 million bales (480 pounds bales), which is 830,000 MT. MY 2018/19 domestic consumption is estimated about 2.52 million bales (550,000 MT).

Uzbekistan Cotton and Products Annual Report 2018

Production

The Republic of Uzbekistan continues to take steps to reduce the cotton planted area each year. For marketing year (MY) 2018/19, this reduced amount is about 35,000 hectares. Accordingly, MY 2018/19 cotton planted area is expected to be about 1.17 million hectares. Production is expected to be about 3.8 million bales (480 pounds each), which is 830,000 MT. The intention of the government is to reduce planting in areas where field yields are lower than the country average, such as in highly salinized areas and mountain regions, and to facilitate production of other crops instead, including fruits and vegetables, potatoes, as well as grains. Cotton planted area for the coming year MY 2018/19 may still even be further reduced in light of this goal. In accordance with the plan, about 30,500 hectares during MY 2016/17, and about 50,000 hectares in MY 2017/18 have been taken out of cotton production. Cotton planting area will be reduced gradually until 2020 to lower targeted domestic production to about 3 MMT of seed cotton, compared to 3.35 MMT of earlier years. The initiative will take a total of 185,000 hectares of land from cotton planting and allocate to other crops. In MY 2017/18, the Uzbek government reported 1.2 million hectares of cotton was harvested.

MY 2018/19 cotton planting has already started. Warmer than usual weather, as well as limited rains during the month of March, have enabled farmers to start planting. On the other hand, a mild winter with little rain and snow may result in water scarcity during the season and also provide a suitable environment for pests during the coming season.

Uzbekistan has an extensive cotton seed breeding and research program. Regarding seed varieties, in recent years, about half of the planted seeds are early-ripening types, such as Sultan and Namangan -77, as these varieties have better yields and resistance to various common diseases. About one-third of the rest of the varieties will be mid-ripening, such as Bukara 6 and Bukara 8, and the rest are new varieties such as Parlak.

Consumption

The most important recent trend in the cotton sector in Uzbekistan is the rapid and continued growth in domestic consumption. According to industry sources, about sixty percent of locally produced cotton is consumed domestically. MY 2017/18 domestic consumption is expected to reach about 2.3 million bales (500,000 MT) and is projected to increase to 2.5 million bales (550,000 MT) during MY 2018/19.

According to government sources, presently about 500 enterprises are engaged in textile production in Uzbekistan. The Uzbek government is encouraging new partnerships to increase the use of cotton domestically. New textile investments are approved and that will increase domestic consumption in the coming years. Accordingly, the Uzbek government plans to invest about US\$1 billion between 2015 and 2019 to modernize and diversify the textile industry and additional US\$ 2.2 billion will be invested until 2022 to increase domestic textile production. At the same time new investments are coming in, existing mills are increasing their capacity as well. Industry sources estimate that about half of the domestic consumption is by the top twenty mills.

Uzbekistan is moving forward with the new concept of implementing clusters for cotton and textile production to vertically integrate more of the sector and increase foreign investment. Through the textile clusters concept, the government will support foreign companies through tax and customs benefits, as well as providing land to grow cotton, process cotton, and produce final garments. Accordingly, starting from MY 2018/19, thirteen enterprises were approved to work under the project and about 140,000 hectares of land will be planted cotton under the experiment.

Uzbekistan's exports of cotton yarn, textiles, and readymade garments were about US\$1.1 billion in 2016 and were estimated to reach US\$1.3 billion at the end of 2017. Presently Uzbek textiles are mostly exported to CIS countries. However, a recent agreement signed with the European Union reduced the import tax for Uzbek textile goods from twelve to six percent, which will facilitate Uzbek textile exports to this market in the future as well. Also, the new agreement signed between Uzbekistan and Georgia on mutually lowering shipping charges on railways will facilitate Uzbekistan's utilization of the newly opened rail road connection between Baku of Azerbaijan, Tbilisi of Georgia, and Kars of Turkey. The new railroad track will facilitate exports of cotton and products, among other goods, from Central Asia, including Uzbekistan, to Turkey and beyond. The new route will significantly shorten shipping time and may help those countries to increase their exports significantly in coming years.

Trade

The rapid increase in domestic consumption has limited the cotton available for exports. Accordingly, MY 2017/18 cotton exports are expected to be about 1.15 million bales (250,000 MT). Higher production expected in MY 2018/19 will be expected to keep overall exports stable in MY 2018/19 with levels similar to recent years. The Uzbek government initiative to move cotton trading to an electronic platform starting from calendar year 2018 has been delayed. Presently Uzpakhtasanoat is responsible for receiving and processing raw cotton and exports of cotton fiber. Uzpakhtasanoat is reported to offer cotton from various cotton terminals in the country, although in small quantities. China and Bangladesh continue to be the main markets for Uzbek cotton, though lower availability is reported to affect early season exports. Accordingly, China imported 44,000 MT of Uzbek cotton during the first half of MY 2017/18; while this is higher than the same period last year, the general annual trend is slightly downward.

There are no official Uzbek statistics for exports by country available, however sources indicate that it is due to large exports to non-reporting countries such as Bangladesh. Uzbek cotton exports to Turkey and Iran also declined. Accordingly, exports of cotton to Turkey were 2,200 MT during the first six months of the MY 2017/18 compared to 21,700 MT of the same period last year. Exports to Iran were 8,200 MT during the first seven months of MY 2017/18, down from 19,000 MT of the same period last year. Exports to Russia were about 2,600 MT during the first six months of the marketing year.

While the amount of lint cotton for exports is becoming more limited, exports of yarn and textiles are increasing. Accordingly, China and Russia are among the leading export markets for Uzbek cotton yarn so far in MY 2017/18. China imported 47,600 MT of Uzbek cotton yarn during the first six months of the marketing year, up from 42,000 MT of the same period in 2016/17. Russia imported 43,000 MT of Uzbek cotton yarn during the first half of the marketing year. Turkey's imports of Uzbek cotton yarn more than doubled during the first half of MY 2017/18, reaching 22,000 MT, making Uzbekistan the number one supplier of cotton yarn to Turkey. Other destinations for Uzbek cotton yarn during the first

seven months of the marketing year were Iran with 2,000 MT, and during the first five months of MY 2017/18 Poland with 2,500 MT.

Uzbek cotton fabric exports were also up. Uzbekistan continues to be the leading supplier of cotton fabrics to Russia with 41.5 million square meters (MM2) during the first half of the marketing year. Fabric exports to Poland were 6.8 MM2 during the first five months of the marketing year, and Korea imported 1.2 MM2 of fabric during the first seven months. China imported 400,000 meters of Uzbek fabrics during the first half of the MY 2017/18.

Uzbek Cotton PSD (1,000 Hectares and 1,000 480 lb Bales)

Cotton	2016/2017		2017/2018		2018/2019	
Market Begin Year	Aug 2016		Aug 2017		Aug 2018	
Uzbekistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	1180	1180	1150	1200	0	1171
Beginning Stocks	848	848	1223	1223	0	1353
Production	3725	3725	3580	3580	0	3810
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	4573	4573	4803	4803	0	5163
Exports	1300	1300	1100	1150	0	1262
Use	2050	2050	2300	2300	0	2525
Loss	0	0	0	0	0	0
Total Dom. Cons.	2050	2050	2300	2300	0	2525
Ending Stocks	1223	1223	1403	1353	0	1376
Total Distribution	4573	4573	4803	4803	0	5163

Units: 1,000 Hectares and 1,000 480 pound bales